

Message Text

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ACTION EA-09

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AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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DEPT PASS TREQSURY, CEA AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN DECEMBER - PROVISIONAL

1. SUMMARY: JAPAN'S B/P POSITION IMPROVED VERY SHARPLY IN DEC, ACCORDING TO PROVISIONAL B/P STATISTICS. ALL THREE BALANCES (CURRENT, BASIC, OVERALL), MOVED BACK TO SURPLUSES AFTER FOUR MONTHS OF DEFICITS, MAINLY DUE TO LARGE \$680 MIL INCREASE IN TRADE SURPLUS. NET INFLOW OF NON-MONETARY SHORT-TERM FUNDS (REVERSED FROM NET OUTFLOW IN NOV), ALSO CONTRIBUTED TO IMPROVEMENT. OFFICIAL SETTLEMENTS' BALANCE, HOWEVER, REMAINED UNCLASSIFIED

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AT DEFICIT SINCE COMMERCIAL BANKS' EXPORTED \$760 MIL IN

SHORT-TERM FUNDS DURING DEC. THE YEN WEAKENED AGAINST DOL AROUND MIDDLE OF DEC TO 306.85 YEN/DOL BUT STRENGTHENED SLIGHTLY TOWARD END OF THE MONTH TO 305.00 YEN/DOL. JAPAN'S OFFICIAL RESERVES DECLINED BY \$143 MIL IN DEC. FOR YEAR AS A WHOLE, B/P IMPROVED SUBSTANTIALLY IN 1975 COMPARED WITH 1974. CURRENT ACCOUNT DEFICIT WAS TRIMMED TO \$731 MIL IN CONTRAST TO 1974 DEFICIT OF \$4,693 MIL. BASIC BALANCE DEFICIT WAS \$1,065 MIL IN 1975, A SHARP REDUCTION FROM \$8,574 MIL DEFICIT OF PRIOR YEAR. END SUMMARY.

2. UNADJUSTED TRADE SURPLUS INCREASED VERY SHARPLY BY \$676 MIL TO \$1,110 MIL IN DEC FROM NOV LEVEL, REFLECTING IN PART, USUAL SEASONAL JUMP IN EXPORTS. SEASONALLY ADJUSTED TRADE SURPLUS ALSO INCREASED BY \$298 MIL TO \$433 MIL IN DEC. EXPORTS (F.O.B., SEASONALLY ADJUSTED), INCREASED BY \$496 MIL TO \$4,861 MIL IN DEC FROM NOV (AS MUCH AS 11.4 PERCENT), AND IMPORTS (F.O.B., SEASONALLY ADJUSTED), ROSE LESS SHARPLY THAN EXPORTS BY \$198 MIL (4.7 PERCENT), TO \$4,428 MIL.

3. IN DEC, NET PAYMENTS FOR SERVICES AND TRANSFERS WERE \$480 MIL, REMAINING AT THE USUAL MONTHLY LEVEL. AS RESULT, CURRENT BALANCE IN DEC RECORDED LARGE \$630 MIL SURPLUS AS COMPARED TO \$13 MIL DEFICIT IN NOV.

4. NET OUTFLOW OF LONG-TERM CAPITAL DECLINED SLIGHTLY BY \$10 MIL TO \$150 MIL IN DEC. BOND ISSUES ABROAD BY JAPANESE ENTERPRISES WERE VERY ACTIVE AND RECORDED A NET INFLOW OF \$204 MIL IN DEC, TWICE THE AMOUNT IN NOV. FOREIGN PURCHASES AND SALES OF JAPANESE SECURITIES ALMOST BALANCED IN DEC IN CONTRAST TO \$83 MIL NET FOREIGN PURCHASES IN NOV. ON THE OTHER HAND, THERE WAS A SHARP RISE IN EXPORTS OF JAPANESE CAPITAL AS A RESULT OF INCREASED TRADE CREDITS FOR FINANCING JAPAN'S PLANT EXPORTS (ON A DEFERRED PAYMENT BASIS). OVERSEAS DIRECT INVESTMENT AND LENDING ABROAD BY JAPANESE ENTERPRISES REMAINED AT THE USUAL MONTHLY LEVEL.

5. IN DEC, NON-MONETARY SHORT-TERM CAPITAL, IN-
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CLUDING ERRORS AND OMISSIONS, RECORDED NET INFLOW OF \$130 MIL IN CONTRAST TO \$228 MIL NET OUTFLOW IN NOV. AS RESULT, OVERALL BALANCE IMPROVED DRAMATICALLY BY OVER \$1 BIL IN DEC TO \$610 MIL SURPLUS FROM \$401 MIL DEFICIT IN PRIOR MONTH.

6. SHARP IMPROVEMENT IN OVERALL BALANCE, HOWEVER, COMPLETELY OFFSET BY VERY LARGE NET OUTFLOW OF COM-

MERCIAL BANKS' SHORT-TERM FUNDS. COMMERCIAL BANKS' SHORT-TERM NET LIABILITY POSITION REVERSED THE TREND AND RECORDED \$760 MIL NET OUTFLOW IN CONTRAST TO \$179 MIL NET INFLOW IN NOV. JAPAN'S PUBLISHED OFFICIAL RESERVES DECLINED LESS SHARPLY BY \$143 MIL FROM NOV (THAN \$234 MIL DROP DURING PRIOR MONTH), TO \$12,815 MIL. GOLD AND FOREIGN EXCHANGE TOTALLED \$11,491 MIL, GOLD TRANCHE \$804 MIL, AND SDR'S \$520 MIL.

7. FOLLOWING ARE PRELIMINARY MOF DATA ON DEC BALANCE OF PAYMENTS IN MIL DOLS (IMF BASIS, NOT SEASONALLY ADJUSTED). RECEIPTS, AS WELL AS INCREASE IN RECEIPTS OR DRECREASE IN PAYMENTS, ARE SHOWN AS PLUS; QUOTE MIN UNQUOTE INDICATES OPPOSITE.

	DECEMBER	NOVEMBER				
	PROVISIONAL	REVISED	CHANGE			
(1) CURRENT BALANCE	630	MIN 13	643			
TRADE BALANCE	1,110	434	767			
EXPORTS	5,790	4,310	1,480			
IMPORTS	MIN 4,680	MIN 3,876	MIN 804			
SERVICES AND						
TRANSFERS	MIN 480	MIN 447	MIN 33			
(2) LONG-TERM CAPITAL	MIN 150	MIN 160	10			
(3) BASIC BALANCE	480	MIN 173	653			
(4) NON-MONETARY SHORT-TERM CAPITAL AND ERRORS AND OMIS SIONS COMBINED	130	MIN 228	358			
(5) OVERALL BALANCE	610	MIN 401	1,011			
(6) COMMERCIAL BANKS' SHORT-TERM NET POSITION	MIN 760	179	MIN 939			
(7) OFFICIAL SETTLE-UNCLASSIFIED						

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MENTS BALANCE MIN 150 MIN 222 72

8. SEASONALLY ADJUSTED TRADE DATA (IMF BASIS), AS FOLLOWS:

	DECEMBER	NOVEMBER		
	PROVISIONAL	REVISED	CHANGE	
EXPORTS	4,861	4,365	496	
IMPORTS	MIN 4,428	MIN 4,230	MIN 189	
BALANCE	433	135	298	

9. NOTE: RATES OF EXCHANGE USED BY MOF TO CONVERT TO DOL BASIS WERE 302.46 YEN PER DOL FOR NOV 1975 AND 305.60 YEN PER DOL FOR DEC 1975.

10. IN CALENDAR YEAR 1975, JAPAN'S B/P POSITION IM-

PROVED SHARPLY COMPARED WITH 1974. NEARLY \$3.7 BIL INCREASE IN TRADE BALANCE SURPLUS WAS RESULT OF EXPORTS MAINTAINING SAME LEVEL DESPITE WORLD RECESSION, WHILE IMPORTS FELL 6 PERCENT IN RESPONSE TO SLOWDOWN IN DOMESTIC ECONOMY. DRAMATIC REDUCTION IN NET OUTFLOW OF LONG-TERM CAPITAL WAS MAINLY DUE TO LARGE NET PURCHASE OF JAPANESE SECURITIES BY FOREIGNERS (IN CONTRAST TO NET SALE IN 1974), AND SHARP INCREASE IN JAPANESE BOND FLOTATIONS ABROAD IN 1975. FOLLOWING TABLE SHOWS JAPAN'S B/P IN MIL DOLS FOR 1974 AND 1975 BASED ON PRELIMINARY DATA FOR DEC.

	1974	1975
MERCHANDISE TRADE	1,436	5,141
EXPORTS	54,480	54,765
IMPORTS	53,044	49,624
CURRENT ACCOUNT	-4,693	-731
LONG-TERM CAPITAL	-3,881	-334
BASIC BALANCE	-8,574	-1,065
CHANGE IN OFFICIAL		
RESERVES	PLUS 1,272	-703

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